



MACIAS, GUTIERREZ & CO., P.C.  
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**STATE OF NEW MEXICO**

**CHAMITA MUTUAL DOMESTIC  
WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION**

Independent Accountants' Report on Applying  
Agreed-Upon Procedures

Year Ended December 31, 2013

**STATE OF NEW MEXICO**

**CHAMITA MUTUAL DOMESTIC  
WATER CONSUMERS AND  
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**Year Ended December 31, 2013**

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**STATE OF NEW MEXICO  
CHAMITA MUTUAL DOMESTIC WATER CONSUMERS  
AND SEWAGE WORKS ASSOCIATION**

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December 31, 2013**

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STATE OF NEW MEXICO  
CHAMITA MUTUAL DOMESTIC WATER CONSUMERS  
AND SEWAGE WORKS ASSOCIATION

Official Roster  
at December 31, 2013

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<u>Name</u>		<u>Title</u>
<b><u>Board of Directors</u></b>		
Gilbert Salazar		President
David Archuleta		Vice-President
Anna Flores		Secretary
Gloria Gonzales		Treasurer
Henry Talache		Member
<b><u>Staff</u></b>		
Juliet Salazar		Office Manager
Gloria Gonzales		Water Operator/Meter Reader



Macias, Gutierrez  
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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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To: Gilbert Salazar, President  
Chamita Mutual Domestic Water Consumers and Sewage Works Association #3090  
and  
Honorable Hector H. Balderas  
New Mexico State Auditor

We have performed the procedures enumerated below for the Chamita Mutual Domestic Water Consumers and Sewage Works Association (CMDWCSWA), for the year ended December 31, 2013 solely to assist CMDWCSWA in demonstrating compliance with a **Tier 4** entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978, as set forth in the accompanying Exhibits A and B. The procedures were agreed to by the CMDWCSWA through the Office of the New Mexico State Auditor. The CMDWCSWA's management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

### 1. Cash

#### Procedures

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division (DFA-LGD).
- c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

#### Findings

- a) The CMDWCSWA has three checking accounts and three certificates of deposit and utilizes Quickbooks to record cash transactions. All bank reconciliations are performed on a timely basis and all were complete and on-hand for the fiscal year.

- b) Random tests of bank reconciliations revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation. We did not trace the December 31, 2013 general ledger ending balances to the final quarterly financial report submitted to DFA-LGD since year-end cash balance were not included with their report and, currently, there is no DFA-LGD required cash reporting format.
- c) Cumulative single-institution bank account balances never exceeded uninsured limits and therefore, pledged collateral was not required on any uninsured deposits.

## 2. Capital Assets

### Procedures

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

### Findings

The CMDWCSWA maintains a capital assets inventory listing and performed a yearly inventory as required by Section 12-6-10 NMSA 1978.

## 3. Revenue

### Procedures

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Select a sample of revenue based on auditor judgment and test using the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

### Findings

- a) An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. The test of actual revenue compared to budgeted revenue for the year for each type of revenue could not be performed since the CMDWCSWA did not submit a detailed line-item revenue budget but only total projected income. The comparison, in total, was reasonable in the circumstances.
- b) We requested supporting documentation for twelve (12) deposits (31% of total revenue from a total of 41 deposits for the year. For the sample selected, amounts recorded on Quickbooks agreed with supporting documentation and the bank statements without exception.
- c) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation.

## 4. Expenditures

### Procedures

Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC ).

### **Findings**

- a) We requested supporting documentation for thirty-one (31) disbursements (15% of total expenses) out of a total of 369 disbursements for the year. For the sample selected, amounts recorded as disbursed agreed to supporting documentation. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and photocopied cancelled check, as appropriate.
- b) For the sample selected, disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) The bid process (or request for proposal process, if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC ).

## **5. Journal Entries**

### **Procedures**

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

### **Findings**

The CMDWCSWA utilizes Quickbooks to record cash transactions only and does not prepare formal journal entries.

## **6. Budget**

### **Procedures**

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.

- c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

**Findings**

- a) A review of minutes and correspondence revealed that the CMDWCSWA submitted a 2013 budget to DFA-LGD for approval. There were no subsequent budget adjustments.
- b) Total actual expenses did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) A schedule of revenues and expenses – budget and actual was prepared from CMDWCSWA records on the cash budgetary basis. This schedule is included herein as Exhibit A. The CMDWCSWA submitted a Profit and Loss Budget Performance report for the year ended December 31, 2013 to DFA-LGD, which is presented herein as Exhibit B. However, the amounts shown on Exhibit B as Annual Budget for revenue and expense do not agree with the DFA-LGD approved budget amounts.

**Other**

**Procedures**

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose in the report as required by Section, 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (I) (3) (C) NMAC.

**Findings**

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, or any internal control deficiencies. However, see the Schedule of Findings and Responses for noncompliance issues related to the Budget findings above.

\* \* \* \* \*

We were not engaged to, and did not conduct an audit of financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or any part thereof, including Exhibits A and B. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Chamita Mutual Domestic Water Consumers and Sewage Works Association, the New Mexico State Auditor's Office and the Department of Finance and Administration, Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.

*Macias, Gutierrez & Co., CPAs, P. C.*

Macias, Gutierrez & Co., CPAs, P. C.  
Espanola, New Mexico  
May 23, 2014



**STATE OF NEW MEXICO**  
**CHAMITA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION**  
**Schedule of Revenues and Expenses-Budget and Actual (Cash Basis)**  
**Year Ended December 31, 2013**

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Bank correction	\$ -	\$ -	\$ 25	\$ 25
Interest Income	-	-	424	424
Reconnect Fee	-	-	225	225
Refund	-	-	336	336
Returned Item Replacement	-	-	317	317
Water Service Connections	-	-	250	250
Water Service Sales	120,980	120,980	103,990	(16,990)
Total revenues	120,980	120,980	105,567	(15,413)
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	120,980	120,980	105,567	(15,413)
<b>Expenses:</b>				
Adjustments to Register	5	5	-	5
Advertising	100	100	18	82
Association Meetings	200	200	-	200
Audit (AUP)	4,900	4,900	8,763	(3,863)
Auto	-	-	192	(192)
Bank Check Charge	50	50	51	(1)
Chama Community Center	8,082	8,082	6,262	1,820
Contract Labor	4,262	4,262	3,830	432
Contractor	1,200	1,200	650	550
Dues	264	264	264	-
Insurance	5,600	5,600	4,390	1,210
Legal	700	700	645	55
Loan Payment	6,000	6,000	-	6,000
Member Refund	-	-	202	(202)
Mileage	102	102	-	102
Miscellaneous	640	640	480	160
Office Supplies	7,654	7,654	7,593	61
Payroll Expenses	55,173	55,173	41,684	13,489
Postage	1,666	1,666	1,592	74
Registration Fee	1,000	1,000	-	1,000
Returned Checks	289	289	317	(28)
Supplies	3,274	3,274	3,339	(65)
Tax	7,516	7,516	8,156	(640)
Training	549	549	656	(107)
Utilities	7,856	7,856	7,700	156
Total expenses	117,082	117,082	96,784	20,298
<b>Excess revenues over (under) expenses</b>	<b>\$ 3,898</b>	<b>\$ 3,898</b>	<b>\$ 8,783</b>	<b>\$ 4,885</b>

**Chamita MDWCA**  
**Profit & Loss Budget Performance**  
October through December 2013

	<u>Oct - Dec 13</u>	<u>Budget</u>	<u>Jan - Dec 13</u>	<u>YTD Budget</u>
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
Adjustment to register	0.00	0.00	0.00	0.00
Bank Correction	0.00		25.20	
Interest Income	333.98	703.21	423.49	845.57
Reconnect fee	25.00		225.00	175.00
Refund	0.00		336.00	
Returned Item Replacement	69.00	6.00	316.96	6.00
Water Service Connections	0.00	105.00	250.00	836.25
Water Service Sales	27,994.38	35,601.84	103,990.29	131,467.22
<b>Total Income</b>	<b>28,422.36</b>	<b>36,416.05</b>	<b>105,566.94</b>	<b>133,330.04</b>
<b>Cost of Goods Sold</b>				
Cost of Goods Sold	0.00		0.00	596.25
<b>Total COGS</b>	<b>0.00</b>		<b>0.00</b>	<b>596.25</b>
<b>Gross Profit</b>	<b>28,422.36</b>	<b>36,416.05</b>	<b>105,566.94</b>	<b>132,733.79</b>
<b>Expense</b>				
Adjustments to register	0.00	1.00	0.00	5.00
Advertising	0.00	0.00	18.28	100.00
Association Meetings	0.00		0.00	200.00
Audit	876.32		8,763.19	4,298.00
Auto	37.65	6,037.65	191.66	6,097.65
Bank	0.00		50.58	
Bank Check charge	0.00		0.00	50.00
Chamita Community Center	1,395.98	2,103.04	6,262.16	8,081.54
Contract Labor	438.00	400.00	3,830.00	4,262.00
Contractor	0.00		650.00	1,200.00
Dues	264.00	264.00	264.00	264.00
Insurance	0.00		4,390.00	5,600.00
Legal	0.00		645.00	700.00
Member Refund	0.00		201.60	
Mileage	0.00		0.00	102.00
Misc	150.00	150.00	480.00	640.00
Office Supplies	1,422.96	4,511.82	7,593.43	7,654.23
Payroll Expenses	9,056.33	14,237.51	41,683.98	55,172.59
Postage	299.80	396.00	1,592.54	1,666.44
Registration Fee	0.00		0.00	1,000.00
Returned Cks	69.00	173.46	316.96	289.46
Supplies	377.36	1,432.95	3,338.91	3,273.93
Tax	3,487.31	3,168.95	8,155.76	7,516.02
Training	0.00	105.08	655.88	549.11
Utilities	1,791.46	2,054.21	7,699.66	7,856.16

**Chamita MDWCA**  
**Profit & Loss Budget Performance**  
 October through December 2013

	<u>Oct - Dec 13</u>	<u>Budget</u>	<u>Jan - Dec 13</u>	<u>YTD Budget</u>
<b>Total Expense</b>	19,666.17	35,035.67	96,783.59	116,578.13
<b>Net Ordinary Income</b>	8,756.19	1,380.38	8,783.35	16,155.66
<b>Other Income/Expense</b>				
<b>Other Income</b>				
<b>Member Fee</b>	0.00		0.00	36.57
<b>Total Other Income</b>	0.00		0.00	36.57
<b>Net Other Income</b>	0.00		0.00	36.57
<b>Net Income</b>	<u>8,756.19</u>	<u>1,380.38</u>	<u>8,783.35</u>	<u>16,192.23</u>

**STATE OF NEW MEXICO  
 CHAMITA MUTUAL DOMESTIC WATER CONSUMERS  
 AND SEWAGE WORKS ASSOCIATION**

**Schedule of Findings and Responses  
 Year Ended December 31, 2013**

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	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
<b>Current Year Findings:</b>			
Budget Reporting on Quarterly Financial Reports	D	2010-1	2010-1
<b>Follow-up on Prior Year Findings:</b>			
Budget Submission/Approval and Quarterly Financial Reports	D	2010-1	Revised
Late Report	D	2011-2	Resolved

**\* Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

**STATE OF NEW MEXICO  
CHAMITA MUTUAL DOMESTIC WATER CONSUMERS  
AND SEWAGE WORKS ASSOCIATION**

**Schedule of Findings and Responses  
Year Ended December 31, 2013**

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2010-1

**Budget Reporting on Quarterly Financial Reports**

**Criteria**

Section 6-6-2 (B) NMSA, 1978 requires each local public body to submit periodic financial reports, at least quarterly, to the DFA-LGD. Section 6-6-3 NMSA, 1978 Compilation states that every local public body shall make all reports as may be required by the Department of Finance and Administration-Local Government Division (DFA-LGD) and conform to the rules and regulations adopted by the DFA-LGD (DFA/Local Government Division Budgeting and Reporting Guidelines for Special Districts).

**Condition**

The Chamita Mutual Domestic Water Consumers and Sewage Works Association (CMDWCSWA) submitted quarterly Profit and Loss Budget Performance reports wherein the amounts reported as Annual Budget did not agree with the various budgeted amounts submitted and approved by DFA-LGD.

**Cause**

The CMDWCSWA did not insure that the amounts reported as Annual Budget, on the quarterly reports submitted, agreed with the DFA-LGD approved amounts.

**Effect**

The CMDWCSWA has not complied with Section 6-6-3 NMSA 1978 and related reporting guidelines.

**Recommendation**

We recommend that the CMDWCSWA submit the quarterly financial budget to actual reports that include the approved DFA-LGD budget amounts.

**Entity Response**

“Chamita MDWCA Board of Directors will ensure that the annual budget column on the quarterly reports agrees with the DFA LGD approved budget.

**STATE OF NEW MEXICO  
CHAMITA MUTUAL DOMESTIC WATER CONSUMERS  
AND SEWAGE WORKS ASSOCIATION**

**Exit Conference  
Year Ended December 31, 2013**

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**EXIT CONFERENCE**

The report contents were discussed at an exit conference held on May 27, 2014 with the following in attendance:

Chamita Mutual Domestic Water Consumers and Sewage Works Association

Gilbert Salazar, Board President  
Juliet Salazar, Office Manager  
Gloria Gonzales, Treasurer, Water Operator/Meter Reader

Accounting Firm

James R. (Jim) Macias, CPA